

CERTIFICATION OF ENROLLMENT

SUBSTITUTE SENATE BILL 5181

Chapter 46, Laws of 2011

62nd Legislature
2011 1st Special Session

STATE DEBT LIMIT

EFFECTIVE DATE: 08/24/11

Passed by the Senate May 24, 2011
YEAS 40 NAYS 1

BRAD OWEN

President of the Senate

Passed by the House May 25, 2011
YEAS 79 NAYS 14

FRANK CHOPP

Speaker of the House of Representatives

Approved June 15, 2011, 3:33 p.m.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Thomas Hoemann, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 5181** as passed by the Senate and the House of Representatives on the dates hereon set forth.

THOMAS HOEMANN

Secretary

FILED

June 15, 2011

**Secretary of State
State of Washington**

SUBSTITUTE SENATE BILL 5181

Passed Legislature - 2011 1st Special Session

State of Washington 62nd Legislature 2011 1st Special Session

By Senate Ways & Means (originally sponsored by Senators Parlette, Kilmer, Zarelli, Murray, Litzow, Rockefeller, Stevens, Becker, Baumgartner, and Hill)

READ FIRST TIME 05/24/11.

1 AN ACT Relating to limitations on state debt; adding a new section
2 to chapter 39.42 RCW; creating new sections; and making an
3 appropriation.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature intends to examine the
6 various kinds of debt incurred by Washington state and the limitations
7 that control the amount and use of debt. To assist in this
8 examination, the legislature seeks the assistance and recommendations
9 of a commission on state debt.

10 NEW SECTION. **Sec. 2.** (1) The commission on state debt is created.
11 The commission shall include the following members: The state
12 treasurer, who shall chair the commission; the director of the office
13 of financial management; one member each from the two largest caucuses
14 of the senate, appointed by the president of the senate; one member
15 each from the two largest caucuses of the house of representatives,
16 appointed by the speaker of the house of representatives; six
17 independent members, three appointed by the state treasurer in
18 consultation with the state finance committee and three appointed by

1 the governor in consultation with the state finance committee. These
2 six independent members must not have a financial interest in debt-
3 financed state expenditures and shall include appointees with
4 experience in public or private finance, local government, or related
5 academic or legal backgrounds. The members of the commission shall
6 serve without additional compensation, but shall be reimbursed in
7 accordance with RCW 44.04.120 for attending meetings of the commission.
8 Staffing for the commission shall be provided by the state treasurer's
9 office, the office of financial management, and legislative capital
10 budget staff.

11 (2) The commission shall examine the following:

12 (a) Trends in the use of all kinds of state obligations including
13 general obligation bonds; revenue bonds and other debt that supports
14 the transportation budget; financing contracts; lease purchase
15 agreements; and other forms of obligations including long-term
16 liabilities such as pension liabilities and long-term leases. The
17 examination of trends must also examine the impact of debt service
18 payments on operating budget expenditures.

19 (b) Major uses of state debt, the debt service expenditures
20 associated with those major uses, and a comparison of the debt service
21 expenditures and other operating budget expenditures that addresses
22 similar policy objectives as the major uses of debt.

23 (c) Existing limitations and policies on the use of various kinds
24 of debt and how those policies and limitations compare with other
25 states with similar or higher credit ratings. The comparisons will
26 include an examination of relative debt burden and the relationship
27 between state debt and debt incurred by local governments in the
28 comparison states.

29 (3) The commission must recommend improvements in state debt
30 policies and limitations, including possible amendments to state
31 constitutional debt limitations that will accomplish the following:

32 (a) Stabilizes the capacity to incur new debt in support of
33 sustainable and predictable capital budgets;

34 (b) Reduces the growth in debt service payments to an appropriate
35 level that no longer exceeds the long-term growth in the general fund
36 expenditures;

37 (c) Maintain and enhance the state's credit rating.

38 (4) The commission must consult affected stakeholders.

1 (5) The commission must report its findings and recommendations to
2 the state finance committee and the appropriate committees of the
3 legislature by December 1, 2011.

4 NEW SECTION. **Sec. 3.** A new section is added to chapter 39.42 RCW
5 to read as follows:

6 The state finance committee must recommend a working debt limit for
7 purposes of budget development for various purpose capital bond
8 appropriations. Nothing in this section shall in any manner affect the
9 validity of indebtedness incurred in compliance with the provisions of
10 Article VIII, section 1 of the state Constitution. The working debt
11 limit must be updated periodically following forecasts of the economic
12 and revenue forecast council. The governor and legislature must
13 develop capital bond budgets within the most recent recommended working
14 debt limit. The working debt limit must be lower than the state
15 constitutional debt limit in order to reserve capacity under the
16 constitutional limit for emergencies and economic uncertainties. In
17 order to begin to accomplish the objectives of stabilizing debt
18 capacity and reducing the debt service burden on the operating budget,
19 the state finance committee must recommend working debt limits of eight
20 and one-half percent from July 1, 2015, to and including June 30, 2017;
21 eight and one-quarter percent from July 1, 2017, to and including June
22 30, 2019; eight percent from July 1, 2019, to and including June 30,
23 2021; seven and three-quarters percent from July 1, 2021, and
24 thereafter. The state finance committee may recommend modified working
25 debt limits in response to extraordinary economic conditions. The
26 state finance committee is authorized to reduce or delay the issuance
27 of bonds if an issuance would result in exceeding the recommended
28 working debt limit.

29 NEW SECTION. **Sec. 4.** The sum not to exceed one hundred fifty
30 thousand dollars, or as much thereof as may be necessary, is
31 appropriated for the fiscal year ending June 30, 2012, from the state
32 treasurer's service fund to the office of the state treasurer for the
33 purpose of this act.

Passed by the Senate May 24, 2011.
Passed by the House May 25, 2011.
Approved by the Governor June 15, 2011.
Filed in Office of Secretary of State June 15, 2011.